

Message Text

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PAGE 01 LISBON 01269 031208Z

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SUBJ: MAJOR PROJECTS: PETROSUL REFINERY AT SINES

COMMERCE FOR BIC/MEPD

PLEASE PASS EXPORT IMPORT BANK

REF: LISBON 0472

1. SUMMARY: PROCON, AN AMERICAN ENGINEERING FIRM OPERATING THROUGH ITS EUROPEAN SUBSIDIARY, HAS BEEN AWARDED A \$200 MILLION CONTRACT FOR THE TURN-KEY CONSTRUCTION AND EQUIPPING OF THE PETROSUL REFINERY AT SINES. PROCON BID THIS PROJECT IN A JOINT VENTURE WITH TECHNIP, A FRENCH ENGINEERING FIRM. THE PROCON-TECHNIP GROUP BID AN EQUIPMENT PACKAGE PROCURED MAINLY IN FRANCE, IN RESPONSE TO PETROSUL'S FINANCING ARRANGEMENTS WITH FRENCH BANKS AND DUE TO THE AVAILABILITY OF EQUIPMENT FROM FRENCH SUPPLIERS. THE PETROSUL REFINERY IS NOW PROJECTED TO START PRODUCTION IN MIN-1976 AT A TOTAL COST OF ABOUT \$275 MILLION. END SUMMARY.

2. PETROSUL MANAGEMENT ANNOUNCED ON MARCH 29 THE AWARD TO PROCON (FRANCE) THR FRENCH SUBSIDIARY OF PROCON INC. OF DES PLAINES ILL., AND ITS FRENCH PARTNER ON THIS PROJECT, TECHNIP, OF THE GENERAL CONTRACT FOR DESIGN-CONSTRUCTION-EQUIPPING OF ITS TEN UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LISBON 01269 031208Z

MILLION TON ANNUAL CAPACITY REFINERY AT SINES, PORTUGAL.

IN DIRECTHCOMPETITION WITH TWO OTHER AMERICAN-OWNED GROUPS, FOSTER WHEELER (FRANCE) - BADGER (UK) AND CTIP (ITALY) - ARTHUR G. MCKEE (US), PROCON-TECHNIP WON WITH A BID OF NEARLY \$200 MILLION, CONSIDERABLY HIGHER THAN PETROSUL HAD PROJECTED DURING ITS PLANNING STAGES. TOTAL COST OF THE ENTERPRISE FROM CONCEPTION IN 1972 TO COMPLETION IN 1976 IS EXPECTED TO REACH \$275 MILLION. WHEN PETROSUL COMES ON STREAM IN MID-1976, THE FIRM'S GOP CONCESSION GUARANTEES IT 60 PERCENT OF METROPOLITAN PORTUGAL'S DOMESTIC MARKET FOR REFINED PETROLEUM PRODUCTS, ESTIMATED AT OVER HALF OF THE REFINERY'S PRODUCTION. THE REMAINDER OF PETROSUL'S PRODUCTION WILL GO TO UNDETERMINED EXPORT MARKETS.

3. COMMENT: ALTHOUGH PETROSUL CLAIMS THAT A MAJOR PART OF TOTAL EXPENDITURES ON THIS PROJECT WILL BE SPENT ON LOCAL COSTS, IMPORTED GOODS AND SERVICES WILL PROBABLY REACH \$150 MILLION. DUE TO THE FRENCH GOVERNMENT'S COFACE FINANCING AND TO AVAILABILITY OF MAJOR EQUIPMENT FROM FRENCH SUPPLIERS, FRANCE COMES OUT ON TOP AMONG MAJOR COMPETITOR COUNTRIES, I.E., FRANCE, GERMANY, ITALY, U.K., JAPAN AND U.S. PETROSUL HAD SOWN CONTINUING INTEREST IN U.S. ENGINEERING, PRIOR TO RECEIVING THE THREE BIDS IN DEC 1973. HOWEVER, INABILITY OR UNWILLINGNESS OF AMERICAN SUPPLIERS TO BID EQUIPMENT AND FIRM'S DIFFICULTIES IN REACHING AGREEMENT WITH EXIM BANK CONVINCED PETROSUL THAT IT SHOULD CONCENTRATE PROCUREMENT AND FINANCING EFFORTS IN FRANCE. PETROSUL NOW WILL MAXIMIZE ITS PROCUREMENT IN FRANCE TO GET LONGEST PAYOUT POSSIBLE UNDER COFACE FINANCING PACKAGE. WITH THE EXCEPTION OF ABOUT \$2 MILLION IN ENGINEERING SERVICES, \$3 MILLION IN A COMPUTERIZED PROCESS CONTROL SYSTEM AND \$5 MILLION IN SPECIAL ACCESSORY EQUIPMENT, WZ DO NOT EXPECT TO SEE SIZEABLE DIRECT U.S. EXPORTS GOING TO THIS PROJECT. ON THE BRIGHTER SIDE, SEVERAL U.S. COMPANIES OPERATING THROUGH EUROPEAN SUBSIDIARIES ARE PLAYING SIGNIFICANT ROLES IN THE PETROSUL PROJECT. PROCON, AS 50 PERCENT PARTNER IN THE GROUP WHICH WAS AWARDED THE GENERAL CONTRACT, IS A BIG WINNER. CHICAGO BRIDGE AND IRON (CBI) IS A PARTNER IN THE CONSORTIUM WHICH WAS AWARDED A \$45 MILLION CONTRACT FOR THE TANKAGE AND REACTOR TOWERS, AND CBI WILL SUPERVISE THE CONSTRUCTION

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PAGE 03 LISBON 01269 031208Z

OF THE TANKAGE AND REACTORS.HFINALLY, SUCH U.S. FIRMS AS UNIVERSAL OIL PRODUCTS, LUMMUS, CLARK EQUIPMENT CO., HOOKER CHEMICAL CO., AND U.S. INDUSTRIES, INC., DERIVED SIGNIFICANT SALES THROUGH THEIR EUROPEAN SUBSIDIARIES. SCOTT

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